

Auditor's Name and Date

**Internal Audit Compliance Checklist**

**ENTERTAINMENT  
TESTING PROCEDURES**

Licensee: \_\_\_\_\_ Review Period: \_\_\_\_\_

NGC Regulation 6.090(15) requires the internal auditor to use guidelines, checklists and other “criteria established by the Chair” in determining whether a Group I licensee is in compliance with applicable statutes, regulations, and Minimum Internal Control Standards (MICS). The use of this checklist satisfies these requirements.

Objectives:

To determine if controls for entertainment are adequate to ensure entertainment revenues are accurately stated in financial records and comply with the MICS.

Checklist Completion Notes:

- 1) Each step contains a parenthetical notation at the end of the step to designate the purpose of the step. Steps to ascertain compliance with a regulation or minimum standard will be followed by the appropriate regulation or standard. Steps to test the clerical accuracy of revenue will be followed by “Revenue.” Steps to determine whether assets were protected will be followed by “Asset Protection.”
- 2) The minimum standards quoted on this checklist are from Version 9 of the standards.
- 3) Document the completion of the procedures listed below. All exceptions noted should be carried to the Audit Report/Summary of Findings for timely follow-up. Indicate the workpaper reference in which the exception has been carried forward to, as applicable, in the “Exception/Comment” column.

Scope:

Unless otherwise indicated, select 1 day per year. If no activity took place in an entertainment area, select an additional test date for that area. Only entertainment areas with frequent, routinely scheduled entertainment need be examined (including showrooms, lounges and leased facilities). Complete an Entertainment Testing Procedures Internal Audit Compliance Checklist for each entertainment area determined to be subject to entertainment tax during the completion of the “Entertainment Area Evaluation Form”. This checklist can be completed for multiple entertainment areas, if applicable, as long as the responses clearly indicate to which entertainment area the responses apply.

Entertainment Area(s):	Test Date(s):

MICS Variations and Regulation Waivers:

Review the MICS variations and regulation waivers scheduled during the entertainment walkthrough procedures. Modify and/or perform additional procedures as applicable. Note below the number of the procedures modified or added. Only the last two columns need to be completed if the remaining information is scheduled in the “Walkthrough Procedures Checklist”.

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

✓ - Step completed without exception

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Entertainment Area:	Test Date:	Step completed without exception	Exception/Comment
1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the NGCB or the CPA, or include a copy of the prior audit reports in the workpapers and follow-up on any problems noted. Duplication of exceptions when the CPA is referring to exceptions reported in internal audit reports is not necessary.			
2. Examine detail cash register tapes/point-of-sale ("POS") system transaction reports documenting the admission charges, verifying that the charges are readily identifiable by individual charge, in total, and by area and correctly identified by type (i.e. taxable, nontaxable, and complimentary). <b>(Revenue)</b>			
3. Through examination/comparison of entertainment schedules, determine that all admission charges subject to entertainment tax have been properly included in the system generated totals. <b>(Revenue)</b>			
4. Foot the individual admission charges from detail cash register tapes/POS system transaction reports and trace the totals to the daily admissions summary for the following:  <b>Note 1:</b> Not applicable to ticket broker sales.  <b>Note 2:</b> If multiple entertainment areas use the same computerized system, only one area needs to be footed.			
a. Taxable admission charges. <b>(Revenue)</b>			
b. Nontaxable admission charges. <b>(Revenue)</b>			
c. Complimentary admission charges. <b>(Revenue)</b>			
d. Required minimum purchase of food, beverages or merchandise. <b>(Revenue)</b>			

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Entertainment Area:	Test Date:	Step completed without exception	Exception/Comment
5. For facilities with a maximum occupancy of at least 7,500 persons, verify that the amount of admission charges related to luxury suites, boxes, or similar products at a facility have been properly calculated. <b>(Revenue)</b>			
6. For facilities with a maximum occupancy of less than 7,500 persons, verify that the amount of admission charges related to luxury suites, boxes, or similar products at a facility have been properly calculated. <b>(Revenue)</b>			
7. Trace the amount(s) verified in the previous two questions to the daily admissions summary. <b>(Revenue)</b>			
8. Food and cross-foot the daily admissions summary. <b>(Revenue)</b>			
9. Trace/reconcile all the amounts on the daily admissions summary to the daily amounts in the monthly entertainment recap report for the following:			
a. Taxable admission charges. <b>(Revenue)</b>			
b. Nontaxable admission charges. <b>(Revenue)</b>			
c. Complimentary admission charges. <b>(Revenue)</b>			
d. Required minimum purchase of food, beverages, or merchandise. <b>(Revenue)</b>			
10. Verify that package program breakdowns have been performed. Select one package program and verify that the breakdown complies with NAC 368A.450(5). Verify that entertainment revenue from package program items is properly computed. <b>(Revenue)</b>			
11. Trace the amount verified in the previous question to the monthly entertainment recap report. <b>(Revenue)</b>			

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Entertainment Area:	Test Date:	Step completed without exception	Exception/Comment
12. Verify that the entertainment revenue subject to tax has been determined for discount show tickets. Select one type of discounted show ticket and verify that the entertainment revenue is properly computed. <b>(Revenue)</b>			
13. Trace the amount verified in the previous question to the monthly entertainment recap report. <b>(Revenue)</b>			
14. Examine documentation and verify that the amount of any fees imposed, collected, and retained by an independent financial institution in connection with the use of credit cards or debit cards are properly excluded from taxation pursuant to NRS 368A.200(2)(c) and determine that actual amounts were used and not estimates. <b>(Revenue)</b>			
15. Trace the amount(s) verified in the previous question to the monthly entertainment recap report. <b>(Revenue)</b>			
16. Examine documentation for admission sales to ticket brokers. Verify and trace the amount of the admission charges and determine that revenue was properly calculated and reported on the monthly entertainment recap report. <b>(Revenue)</b>			
17. Select one event by a nonprofit organization which was exempt from taxation and obtain the associated documentation. Examine the documentation and determine that:			
a. The nonprofit organization has qualified as a tax-exempt or religious organization pursuant to 26 U.S.C. § 501(c). <b>(Revenue)</b>			
b. The licensee has adequate documentation to support the number of tickets offered for sale or other distribution to patrons, either directly or indirectly through a partner, subsidiary, client affiliate, or other collaborator is less than 7,500. <b>(Revenue)</b>			
c. The proceeds of the admission charges became the property of the nonprofit organization. <b>(Revenue)</b>			

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Entertainment Area:	Test Date:	Step completed without exception	Exception/Comment
		d. For admission charges which do not become the property of the nonprofit organization, verify that these amounts represent proceeds necessary to cover the direct, supportable costs of hosting, promoting or sponsoring the event. <b>(Revenue)</b>	
		18. Foot and cross-foot the monthly entertainment recap report. <b>(Revenue)</b>	
		19. Reconcile cashier's bank to documentation used for admission charges. <b>(Asset Protection)</b>	
		20. Examine each cashiers' cash turn-in sheet to ensure that they are signed by at least two people. <b>(Asset Protection)</b>  <b>Note:</b> Using a counter and depository unit as the second verification and signature for each cashier cash proceeds is acceptable in meeting the intent of this standard if the counter and depository unit counts and stores the cashier cash proceeds, prints a receipt, and all proceeds are counted and verified in total by the count team.	
		21. Using the monthly entertainment recap report, determine that all admission charges are properly calculated. <b>(Revenue)</b>  <b>Note 1:</b> If the gaming establishment "comps" show tickets to shows at affiliated properties, the licensee should treat these "comps" in the same manner as in-house complimentarys as long as supporting documentation is maintained pursuant to Entertainment MICS #5.  <b>Note 2:</b> If the gaming establishment has third party lessees that provide entertainment complimentarys to patrons where the licensee reimburses the lessee for the entire amount of the complimentary, or any portion thereof, the amount of the reimbursement must be included in taxable revenue.	

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Entertainment Area:	Test Date:	Step completed without exception	Exception/Comment
22. Using the monthly entertainment recap report, examine documentation and determine if adequate records were maintained to properly support the deductions from entertainment revenue associated with complimentarys, refunds and credit/debit card fees and any other charge or fee that was deducted or excluded from taxable admission charges. <b>(Revenue)</b>			
23. For the month in which a test day was selected, trace the month-to-date admission charges per the monthly entertainment recap report to the general ledger and to the monthly NGC tax return. <b>(Revenue)</b>			
24. Examine the general ledger for any activity that was not included in reported revenue but should have been. <b>(Revenue)</b>			
25. If admission ticket sales are reported on the accrual basis, as allowed pursuant to MICS #32, perform the following:			
a. Select a sample of 5 admission tickets. Trace these tickets from the daily admission sales report to the report by show/event which indicates the individual admission tickets sold for that event. <b>(Revenue)</b>			
b. From the sample, select one report by show/event and trace the total to the corresponding daily admissions summary. <b>(Revenue)</b>			
26. For the month in which a test date was selected, determine if there were any non-recurring or special events subject to entertainment tax. If so, select one event and obtain the associated documentation. Determine the amount of taxable admission charges and trace to the daily admissions summary. <b>(Revenue)</b> <b>Document the name and date of the event examined.</b>  <b>Note:</b> If no special events (non-recurring) were held during the month selected, then choose another month in which a special event occurred.			

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Entertainment Area: _____ Test Date: _____	Step completed without exception	Exception/Comment
<b><u>Procedures Modified or Added</u></b>		

✓ - Step completed without exception